

26-1150

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

RECEIVED
DEPT. OF TREASURY

**GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

AUG 6 2004

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

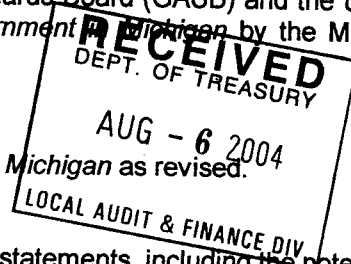
Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Tobacco	County Gladwin
Audit Date March 31, 2004	Opinion Date July 6, 2004	Date Accountant Report Submitted to State: July 6, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government* as prescribed by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 6, 2004

To the Township Board
Township of Tobacco
Gladwin County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Tobacco, Gladwin County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Tobacco's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Tobacco, Gladwin County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Tobacco, Gladwin County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	<u>General Fixed Assets</u>
<u>Assets</u>				
Cash in bank	321 558 88	349 815 67	128 75	-
Taxes receivable	5 491 35	22 113 95	-	-
Due from other funds	128 75	-	-	-
Land	-	-	-	17 797 46
Buildings	-	-	-	38 613 47
Equipment	-	-	-	206 154 27
Total Assets	<u>327 178 98</u>	<u>371 929 62</u>	<u>128 75</u>	<u>262 565 20</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	128 75	-
Total liabilities	<u>-</u>	<u>-</u>	<u>128 75</u>	<u>-</u>
Fund equity:				
Investment in general fixed assets	-	-	-	262 565 20
Fund balances:				
Unreserved:				
Undesignated	<u>327 178 98</u>	<u>371 929 62</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>327 178 98</u>	<u>371 929 62</u>	<u>-</u>	<u>262 565 20</u>
Total Liabilities and Fund Equity	<u>327 178 98</u>	<u>371 929 62</u>	<u>128 75</u>	<u>262 565 20</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

671 503 30

27 605 30

128 75

17 797 46

38 613 47

206 154 27

961 802 55

128 75

128 75

262 565 20

699 108 60

961 673 80

961 802 55

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Revenues:			
Property taxes	57 694 73	115 067 88	172 762 61
Licenses and permits	1 839 50	-	1 839 50
State revenue sharing	180 678 00	-	180 678 00
Charges for services – PTAF	7 718 60	-	7 718 60
Charges for services – cemetery	7 700 00	-	7 700 00
Interest	2 806 55	2 767 32	5 573 87
Rents	750 00	-	750 00
Special assessments	886 80	92 120 00	93 006 80
Miscellaneous	6 682 63	-	6 682 63
Total revenues	<u>266 756 81</u>	<u>209 955 20</u>	<u>476 712 01</u>
Expenditures:			
Legislative:			
Township Board	24 422 86	-	24 422 86
General government:			
Supervisor	9 646 60	-	9 646 60
Elections	595 64	-	595 64
Assessor	28 399 41	-	28 399 41
Clerk	10 075 76	-	10 075 76
Board of Review	469 40	-	469 40
Treasurer	24 228 64	-	24 228 64
Building and grounds	7 932 60	-	7 932 60
Cemetery	9 524 85	-	9 524 85
Public safety:			
Fire protection	-	88 851 39	88 851 39
Zoning	5 713 40	-	5 713 40
Ordinance enforcement	506 34	-	506 34
Public works:			
Highways and streets	42 948 51	3 252 52	46 201 03
Street lighting	1 338 85	-	1 338 85
Sanitation	-	111 471 28	111 471 28
Other functions:			
Pension	4 386 20	-	4 386 20
Insurance	4 283 00	-	4 283 00
Capital outlay	<u>2 079 79</u>	<u>-</u>	<u>2 079 79</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Total expenditures	<u>176 551 85</u>	<u>203 575 19</u>	<u>380 127 04</u>
Excess of revenues over expenditures	90 204 96	6 380 01	96 584 97
Fund balances, April 1	<u>236 974 02</u>	<u>365 549 61</u>	<u>602 523 63</u>
Fund Balances, March 31	<u><u>327 178 98</u></u>	<u><u>371 929 62</u></u>	<u><u>699 108 60</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	57 000 00	57 694 73	694 73
Licenses and permits	1 450 00	1 839 50	389 50
State revenue sharing	175 000 00	180 678 00	5 678 00
Charges for services - PTAF	-	7 718 60	7 718 60
Charges for services - cemetery	4 000 00	7 700 00	3 700 00
Interest	4 150 00	2 806 55	(1 343 45)
Rents	1 000 00	750 00	(250 00)
Special assessments	-	886 80	886 80
Miscellaneous	9 182 00	6 682 63	(2 499 37)
Total revenues	<u>251 782 00</u>	<u>266 756 81</u>	<u>14 974 81</u>
Expenditures:			
Legislative:			
Township Board	24 440 00	24 422 86	(17 14)
General government:			
Supervisor	9 950 00	9 646 60	(303 40)
Elections	1 650 00	595 64	(1 054 36)
Assessor	30 500 00	28 399 41	(2 100 59)
Clerk	11 365 00	10 075 76	(1 289 24)
Board of Review	850 00	469 40	(380 60)
Treasurer	25 450 00	24 228 64	(1 221 36)
Building and grounds	8 160 00	7 932 60	(227 40)
Cemetery	10 200 00	9 524 85	(675 15)
Public safety:			
Fire protection	-	-	-
Zoning	17 150 00	5 713 40	(11 436 60)
Ordinance enforcement	750 00	506 34	(243 66)
Public works:			
Highways and streets	245 517 00	42 948 51	(202 568 49)
Street lighting	1 500 00	1 338 85	(161 15)
Sanitation	-	-	-
Other functions:			
Pension	17 000 00	4 386 20	(12 613 80)
Insurance	4 300 00	4 283 00	(17 00)

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
110 000 00	115 067 88	5 067 88
-	-	-
-	-	-
-	-	-
-	-	-
2 530 00	2 767 32	237 32
-	-	-
90 960 00	92 120 00	1 160 00
-	-	-
<u>203 490 00</u>	<u>209 955 20</u>	<u>6 465 20</u>

-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
81 500 00	88 851 39	7 351 39
-	-	-
-	-	-
2 985 00	3 252 52	267 52
-	-	-
90 000 00	111 471 28	21 471 28
-	-	-
-	-	-

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Capital outlay	<u>2 100 00</u>	<u>2 079 79</u>	<u>(20 21)</u>
Total expenditures	<u>410 882 00</u>	<u>176 551 85</u>	<u>(234 330 15)</u>
Excess (deficiency) of revenues over expenditures	(159 100 00)	90 204 96	249 304 96
Fund balances, April 1	<u>160 000 00</u>	<u>236 974 02</u>	<u>76 974 02</u>
Fund Balances, March 31	<u>900 00</u>	<u>327 178 98</u>	<u>326 278 98</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>174 485 00</u>	<u>203 575 19</u>	<u>29 090 19</u>
29 005 00	6 380 01	(22 624 99)
<u>-</u>	<u>365 549 61</u>	<u>365 549 61</u>
<u>29 005 00</u>	<u>371 929 62</u>	<u>342 924 62</u>

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Tobacco, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Tobacco. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll millage rate was 2.3229 mills and the taxable value was \$74,436,598.00.

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>671 503 30</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>571 362 93</u>
Total Deposits	<u>671 362 93</u>

The Township of Tobacco did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	17 797 46	-	-	17 797 46
Buildings	38 613 47	-	-	38 613 47
Equipment	<u>204 074 48</u>	<u>2 079 79</u>	-	<u>206 154 27</u>
Totals	<u>260 485 41</u>	<u>2 079 79</u>	<u>-</u>	<u>262 565 20</u>

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 4 – Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	128 75	Current Tax Collection	128 75
Total	<u>128 75</u>	Total	<u>128 75</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes 6% of each employee's annual compensation to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$4,386.20.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Budget Variances

For the fiscal year ended March 31, 2004, Township expenditures exceeded budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
Garbage Fund:			
Sanitation	90 000 00	111 471 28	21 471 28
Petrik Pine Fund:			
Highways and streets	2 985 00	3 252 52	267 52
Fire Protection Fund:			
Fire protection	81 500 00	88 851 39	7 351 39

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 9 – Building Permits

The Township of Tobacco does not issue building permits. Building permits are issued by the County of Gladwin.

Note 10 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Wages	11 180 00
Professional services	3 655 17
Payroll taxes	2 571 95
Memberships and dues	1 569 13
Miscellaneous	5 446 61
	<u>24 422 86</u>
Supervisor:	
Salary	9 000 00
Miscellaneous	646 60
	<u>9 646 60</u>
Elections:	
Wages	417 50
Supplies	178 14
	<u>595 64</u>
Assessor:	
Contracted services	21 375 90
Supplies	7 023 51
	<u>28 399 41</u>
Clerk:	
Salary – Clerk	9 240 00
Miscellaneous	835 76
	<u>10 075 76</u>
Board of Review:	
Wages	327 00
Miscellaneous	142 40
	<u>469 40</u>
Treasurer:	
Salary – Treasurer	9 240 00
Salary – Treasurer - summer	5 889 43
Salary – Deputy	854 00
Tax roll preparation	3 817 76
Supplies	3 693 26
Miscellaneous	734 19
	<u>24 228 64</u>
Building and grounds:	
Wages – janitor	4 020 00
Operating supplies	756 09
Repairs and maintenance	607 53
Utilities	2 548 98
	<u>7 932 60</u>

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Cemetery:	
Contracted services	9 300 00
Utilities	169 85
Miscellaneous	55 00
	<u>9 524 85</u>
Zoning:	
Wages	3 200 00
Miscellaneous	2 513 40
	<u>5 713 40</u>
Ordinance Enforcement:	
Wages	100 00
Miscellaneous	406 34
	<u>506 34</u>
Highways and streets:	
Maintenance	42 948 51
Street lighting	<u>1 338 85</u>
Pension	<u>4 386 20</u>
Insurance	<u>4 283 00</u>
Capital outlay	<u>2 079 79</u>
Total Expenditures	<u>176 551 85</u>

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT E
March 31, 2004

	<u>Garbage</u>	<u>Petrik Pine</u>	<u>Fire Protection</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	162 155 66	3 469 76	184 190 25	349 815 67
Taxes receivable	<u>10 920 00</u>	<u>200 00</u>	<u>10 993 95</u>	<u>22 113 95</u>
Total Assets	<u>173 075 66</u>	<u>3 669 76</u>	<u>195 184 20</u>	<u>371 929 62</u>
<u>Fund Balances</u>				
Fund balances:				
Unreserved:				
Undesignated	<u>173 075 66</u>	<u>3 669 76</u>	<u>195 184 20</u>	<u>371 929 62</u>
Total Fund Balances	<u>173 075 66</u>	<u>3 669 76</u>	<u>195 184 20</u>	<u>371 929 62</u>

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT F
Year Ended March 31, 2004

	<u>Garbage</u>	<u>Petrik Pine</u>	<u>Fire Protection</u>	<u>Total</u>
Revenues:				
Property taxes	-	-	115 067 88	115 067 88
Special assessments	89 160 00	2 960 00	-	92 120 00
Interest	<u>1 683 45</u>	<u>13 47</u>	<u>1 070 40</u>	<u>2 767 32</u>
Total revenues	<u>90 843 45</u>	<u>2 973 47</u>	<u>116 138 28</u>	<u>209 955 20</u>
Expenditures:				
Public safety:				
Fire protection:				
Fire Board	-	-	975 00	975 00
Contracted services	-	-	87 876 39	87 876 39
Public works:				
Highways and streets:				
Repairs and maintenance	-	3 252 52	-	3 252 52
Sanitation:				
Contracted services	<u>111 471 28</u>	<u>-</u>	<u>-</u>	<u>111 471 28</u>
Total expenditures	<u>111 471 28</u>	<u>3 252 52</u>	<u>88 851 39</u>	<u>203 575 19</u>
Excess (deficiency) of revenues over expenditures	(20 627 83)	(279 05)	27 286 89	6 380 01
Fund balances, April 1	<u>193 703 49</u>	<u>3 948 81</u>	<u>167 897 31</u>	<u>365 549 61</u>
Fund Balances, March 31	<u>173 075 66</u>	<u>3 669 76</u>	<u>195 184 20</u>	<u>371 929 62</u>

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	<u>3 753 34</u>	<u>2 181 097 32</u>	<u>2 184 721 91</u>	<u>128 75</u>
<u>Liabilities</u>				
Due to other funds	2 021 63	237 551 55	239 444 43	128 75
Due to others	<u>1 731 71</u>	<u>1 943 545 77</u>	<u>1 945 277 48</u>	<u>-</u>
Total Liabilities	<u>3 753 34</u>	<u>2 181 097 32</u>	<u>2 184 721 91</u>	<u>128 75</u>

TOWNSHIP OF TOBACCO
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT
OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended March 31, 2004

EXHIBIT H

Cash on hand – beginning of year	<u>3 753 34</u>
Receipts:	
Taxes and assessments	2 178 879 52
Nonbusiness licenses – animal	1 871 00
Interest	<u>346 80</u>
Total receipts	<u>2 181 097 32</u>
Total beginning balance and cash receipts	<u>2 184 850 66</u>
Cash disbursements:	
Township General Fund	54 357 62
Township Garbage Fund	78 240 00
Township Petrick Pine Fund	2 760 00
Township Fire Protection Fund	104 086 81
Gladwin County	1 038 228 10
Mid-Michigan Community College	86 164 44
Clare Gladwin Intermediate School District	143 609 49
Beaverton School District	664 357 51
Refunds	<u>12 917 94</u>
Total disbursements	<u>2 184 721 91</u>
Cash on Hand – End of Year	<u><u>128 75</u></u>

CAMPBELL, KUSTERER & CO., P.C.

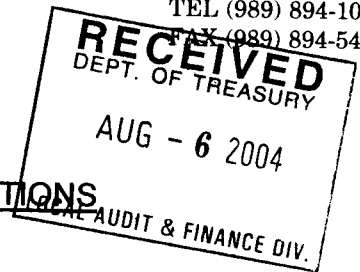
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 6, 2004

To the Township Board
Township of Tobacco
Gladwin County, Michigan

We have audited the financial statements of the Township of Tobacco, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Tobacco in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Tobacco
Gladwin County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Tobacco
Gladwin County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Tobacco will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants